

HOUSE FINANCE COMMITTEE

April 21, 2021

1:36 p.m.

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CALL TO ORDER

Co-Chair Foster called the House Finance Committee meeting to order at 1:36 p.m.

MEMBERS PRESENT

Representative Neal Foster, Co-Chair
Representative Kelly Merrick, Co-Chair
Representative Dan Ortiz, Vice-Chair
Representative Ben Carpenter
Representative Bryce Edgmon
Representative DeLena Johnson
Representative Andy Josephson
Representative Bart LeBon
Representative Sara Rasmussen
Representative Steve Thompson
Representative Adam Wool

MEMBERS ABSENT

ALSO PRESENT

Liz Harphold, Staff, Representative Ortiz; Representative Andi Story, Sponsor; Aimee Bushnell, Staff, Representative Bart LeBon.

PRESENT VIA TELECONFERENCE

Sam Rabung, Director, Division of Commercial Fisheries, Department of Fish and Game; Jeremy Woodrow, Executive Director President, Alaska Seafood Marketing Institute, Juneau; Heather McCarty, Chair, Mariculture Task Force; Ginny Eckert, Co-Chair, Steering Committee, Alaska King Crab Research, Rehabilitation, and Biology; Kyle Scherrer, Program Budget Analyst, Office of Management and Budget; Chris Becker, Auditor, Tax Division, Department of Revenue; Mary Aparezuk, Staff, Representative Andi Story; Xh'unei, Lance A. Twitchell, Associate Professor, Alaska Native Languages, University of Alaska Southeast; Sandra Moller,

Director, Division of Community and Regional Affairs, Department of Commerce, Community and Economic Development; Deven Mitchell, Executive Director, Alaska Municipal Bond Bank Authority, Department of Revenue; Myron Dosch, Chief Financial Officer, University of Alaska, Fairbanks; Luke Welles, Chairman, Alaska Municipal Bond Bank.

SUMMARY

HB 41 SHELLFISH PROJECTS; HATCHERIES; FEES

HB 41 was HEARD and HELD in committee for further consideration.

HB 47 COUNCIL FOR ALASKA NATIVE LANGUAGES

HB 47 was HEARD and HELD in committee for further consideration.

HB 127 MUNI BOND BANK: UA, LOAN AND BOND LIMITS

HB 127 was HEARD and HELD in committee for further consideration.

Co-Chair Merrick relayed the agenda for the meeting.

#hb41

HOUSE BILL NO. 41

"An Act relating to management of enhanced stocks of shellfish; authorizing certain nonprofit organizations to engage in shellfish enhancement projects; relating to application fees for salmon hatchery permits and shellfish enhancement project permits; allowing the Alaska Seafood Marketing Institute to market aquatic farm products; and providing for an effective date."

[1:37:45 PM](#)

REPRESENTATIVE DAN ORTIZ, SPONSOR, reported that the bill was familiar because it was heard in the prior year and voted out of committee. He believed that HB 41 was important because it served to jump start Alaska's economy and expand the fishing industry. He read the sponsor statement:

Enhancement of Alaska's shellfish industry holds the potential of expanded economic opportunities in Alaska's coastal communities and increased resilience of the State's fisheries portfolio.

To tap this potential House Bill 41 allows qualified non-profits to pursue enhancement and/or restoration projects involving shellfish species including red and blue king crab, sea cucumber, abalone, and razor clams.

The bill creates a regulatory framework with which the Department of Fish & Game can manage shellfish enhancement projects and outlines criteria for issuance of permits. It sets out stringent safety standards to ensure sustainability and health of existing natural stocks. The commissioner of ADF&G must also make a determination of substantial public benefit before a project can proceed.

In addition, the bill allows the Department of Fish & Game to set the application fee for a shellfish enhancement project permit and grants the similar authority over the application fee for a salmon enhancement project permit. This bill also amends the statutes governing the Alaska Seafood Marketing Institute to allow ASMI to market aquatic farm products including oysters and kelp.

House Bill 41 plays an important role in the development of mariculture in Alaska by providing a method to increase the available harvest of shellfish for public use in an environmentally safe and responsible manner.

LIZ HARPHOLD, STAFF, REPRESENTATIVE ORTIZ, relayed that the bill provided the legal framework for the Department of Fish and Game (DFG) to permit and regulate shellfish hatcheries. The bill was mirrored off salmon hatchery statutes that were established decades ago. She shared that industry stakeholders brought the idea to the sponsor's attention. She indicated that Julie Decker [Chair, Alaska Fisheries Development Foundation; Member, Alaska Mariculture Task Force] had been a big proponent of the bill but was unable to testify. She detailed that mariculture included farming (i.e., oysters and kelp) and was a private industry. Statutes allowing mariculture were

already in existence and the bill did not change that except to allow the Alaska Seafood Marketing Institute (ASMI) to market aquatic farm products. The bill primarily pertained to the enhancement and restoration of shellfish stocks. She noted that certain shellfish stocks were depleted in some areas of the state like king crab in Western Alaska. A few groups were researching how to restore and enhance depleted stocks. The bill provided the framework to regulate and permit the groups.

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Ms. Harphold read the sectional analysis:

Sec. 1: Provides the Alaska Board of Fisheries authority to direct the department to manage production of enhanced shellfish stocks, beyond brood stock needs, for cost recovery harvest.

Sec. 2: Grants the Department of Fish and Game the authority to set the fee for new private nonprofit salmon hatcheries based on regulatory costs.

Sec. 3: Conforming language consistent with other fee structures set and adjusted by regulation, requiring fees to approximately reflect the cost of administering the application process, and to be reviewed and adjusted periodically.

Sec. 4: Adds a new Chapter 12 to Title 16, "Shellfish Stock Enhancement Projects."

AS 16.12.010: Provides direction to the commissioner of the Department of Fish and Game on issuance of permits for private nonprofit shellfish fishery enhancement projects and grants the department the authority to set the permit application fee. States the permit fee will be accounted for separately as non-general fund program receipts. This section directs the commissioner to consult with technical experts in the relevant areas before permit issuance;

AS 16.12.020: Provides for a hearing and public notification and input process prior to issuance of a permit;

AS 16.12.030 Describes terms and conditions for permit holders to conduct their work, including cost recovery fisheries, harvest, sale, and release of enhancement project produced shellfish, and selection of brood stock sources;

AS 16.12.040: Describes the revocation process should a permit holder fail to comply with the terms and conditions of the permit;

AS 16.12.050: Specifies that shellfish produced under an approved enhancement project are a common property resource, with provision for special harvest areas by permit holders. This section also specifies the Board of Fisheries to establish regulations relating to this chapter;

AS 16.12.060: Directs the department to advise and assist permit holders in their planning, operations, and construction of facilities to a reasonable and appropriate extent;

AS 16.12.070 provides department authority to approve source and number of shellfish taken for use as brood stock.

AS 16.12.080 places restrictions on how monies received from sale of shellfish may be used only for operating costs associated with their facilities;

AS 16.12.090 Relates to Cost Recovery Fisheries and provides a means by which a shellfish hatchery may contract to either harvest and sell shellfish, or to implement a self-assessment from amongst its membership, for purposes of recovering operational costs associated with the hatchery.

AS 16.12.100 Gives the department authority to inspect facilities at any time while the facility is in operation;

AS 16.12.110 Requires a permit holder to submit an annual report to the department;

AS 16.12.199 provides definitions for "facility,"
"genetically modified shellfish," and
"shellfish;"

Sec. 5: Provides the Commercial Fisheries Entry Commission authority to issue special harvest area entry permits to holders of private nonprofit enhancement project permits.

Sec. 6: Defines legal fishing gear for special harvest area entry permit holders.

Sec. 7: adds marketing and promotion of aquatic farm products to the powers and duties of the Alaska Seafood Marketing Institute (ASMI).

Sec. 8: Conforming amendment, prohibiting ASMI from promoting aquatic farm products not from Alaska, a specific region of Alaska, or by a specific brand name.

Sec. 9: Conforming amendment regarding the definition of "seafood."

Sec. 10: Utilizes the existing definition of "aquatic farm products" in AS 16.40.199

Sec. 11: Exempts shellfish raised in a private nonprofit shellfish project from the definition of "farmed fish."

Sec. 12 Makes application fee revenues received by the Department of Fish and Game from the salmon hatchery and shellfish hatchery programs be accounted for separately. Appropriations from those program receipts are not made from the unrestricted general revenue fund.

Sec. 13: Establish state corporate income tax exemption for a nonprofit corporation holding a shellfish fishery enhancement permit.

Sec. 14: A technical conforming amendment required by prior session law and has no impact on the policies being set in this bill.

Sec. 15: Exempts shellfish harvested under a special harvest area entry permit from seafood development taxes.

Sec. 16: Establishes an effective date for the salmon hatchery permit application fee described in section 2 of this bill.

Sec. 17: Authorizes the Department of Fish and Game to adopt implementing regulations.

Sec. 18: Establishes an immediate effective date for section 17 of this bill pursuant to AS 01.10.070(c).

Sec. 19: Establishes an effective date for section 14 of this bill concomitant with sec. 2, Chapter 55, SLA 2013 and has no effect on the policy set forth in this bill.

1:50:12 PM

Co-Chair Merrick indicated that the committee would hear invited testimony.

1:50:33 PM

SAM RABUNG, DIRECTOR, DIVISION OF COMMERCIAL FISHERIES, DEPARTMENT OF FISH AND GAME (via teleconference), introduced himself. He reported that he was appointed to the governor's Mariculture Task Force by Governor Bill Walker and remained a member since its establishment in 2016. He delineated that the DFG mission statement was to protect maintain, and improve the fish, game, and aquatic plant resources of the state and manage their use and development in the best interest of the economy and the wellbeing of the people of the state consistent with the sustained yield principle. He cited AS 16.05.092 (2) (3):

(2) encourage the investment by private enterprise in the technological development and economic utilization of the fisheries resources;

(3) through rehabilitation, enhancement, and development programs do all things necessary to ensure perpetual and increasing production and use of the food resources of state waters and continental shelf areas;

Mr. Rabung continued that the work described in the statute was previously under the purview of the Division of Fisheries Rehabilitation Enhancement and Development (FRED) until 1994 when the division was merged with the Division of Commercial Fisheries (DCF). The division no longer carried out fisheries restoration, rehabilitation, or enhancement projects. The Division of Commercial Fisheries still operated the pathology, gene conservation, mark and tag, and age labs and contracted out prior FRED hatcheries to private non-profit aquaculture associations. The Statewide Aquaculture Planning and Permitting Section provided salmon hatchery permitting and oversight. The section was responsible for the salmon hatchery program, aquatic farming program, and permitting research and educational projects statewide. He explained the "significant" differences between aquatic farming and fishery enhancement. He expounded that currently the state limited mariculture to aquatic farming. He defined aquatic farming as a facility that grows farms or cultivates aquatic farm products in captivity or under positive control.

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Mr. Rabung continued that aquatic farm product was considered private property. He elaborated that in contrast, the other form of mariculture was fishery enhancement, which entailed the restoration, rehabilitation, or enhancement of natural production and benefitted the common property fisheries where the organisms were harvested for personal, sport, or commercial use. The bill would allow mariculture for fishery enhancement. He noted that restoration and rehabilitation projects ceased once its targets were achieved. Enhancement boosted naturally producing stock above what it could produce in nature to provide harvestable surplus. If the project ceased, the supplemental harvest was eliminated and reverted to natural harvest levels.

Mr. Rabung provided an example of a mariculture enhancement project; the Alaska King Crab Research, Rehabilitation, and Biology Program (AKCRRB). He elucidated that the program planted juvenile king crab from nearby stocks into locations that had previously supported larger stocks. Fishing closures was the only tool the department had to try to restore overfished stocks. The bill allowed for enhancement projects as another tool to try to rebound depleted stocks. He offered an example of a mariculture

rehabilitation project that was collecting adult razor clams from the east side of Cook Inlet inducing them to spawn in a hatchery and replanting them on the same beach. He mentioned that the same method could work for hard shell clams in Kachemak Bay or for collecting and aggregating abalone in Southeast Alaska.

Mr. Rabung highlighted mariculture enhancement projects. He elucidated that back stocking sea cucumber juveniles immediately following a dive fishery that occurred on a three year rotation was a prime example of enhancement and could allow for a quicker rotation. He added that the enhancement example could be done with other species, i.e., geoduck or king crab to increase the numbers available for harvest. He indicated that targeting enhanced stocks could allow for the rebounding of other natural stocks by reducing their harvest pressure. The passage of a law that would allow for restoration, rehabilitation, or enhancement of shellfish stocks was one of the priorities identified in the Alaska Mariculture Taskforce's Mariculture Development Plan. He shared that if HB 41 passed, the work would be subject to oversight by DFG. The state was known for the most stringent aquaculture guidance in the world. He was confident the department had the ability to carry out the provisions of HB 41.

1:58:09 PM

JEREMY WOODROW, EXECUTIVE DIRECTOR PRESIDENT, ALASKA SEAFOOD MARKETING INSTITUTE, JUNEAU (via teleconference), read from a prepared statement:

Alaska Seafood Marketing Institute (ASMI) fosters economic development of Alaska's seafood resources. It plays a key role in positioning Alaska's seafood industry as a competitive market-driven food production industry and functions as a brand manager of the Alaska Seafood family of brands. Recognizing mariculture is an emerging maritime industry with tremendous opportunity for Alaska's coastal economies, ASMI supports HB 41.

Mariculture involves cultivating marine organisms in the ocean for food and other products such as oysters, mussels, abalone, or geoducks, as well as seaweeds, such as kelp. The practice does not require feed, fertilizers, insecticides, herbicides, or antibiotics,

making it sustainable and inexpensive. Because of its economic and environmental promise, the Alaska Mariculture Task Force has identified the goal to build Alaska's mariculture production into a \$100 million per year industry in 20 years.

In order to increase jobs and economic opportunity for fishermen and Alaskan businesses, the ASMI Board of Directors unanimously supports HB 41 and legislative action to allow for the marketing of mariculture products or "aquatic farm products" as defined in Alaska Statute 16.40.199, which it is currently prohibited from doing. It is joined in support of this bill by the Alaska seafood industry, the Alaska Mariculture Task Force, and the Alaska Shellfish Growers' Association, as well as many new Alaskan-owned and operated businesses.

Not only does mariculture present a significant economic opportunity for Alaska, it offers the ability for seafood companies to diversify their existing product portfolios. With the support and efforts of the Mariculture Task Force, small family businesses have already proven products to be commercially viable by selling boutique products while offering fishermen opportunities to utilize their vessels and skills on shoulder seasons.

If passed, ASMI plans to include mariculture products in its effective and lucrative consumer, retail, foodservice, and food aid outreach, in domestic and targeted foreign markets. In efforts to ramp up this burgeoning industry, ASMI will lend the same expertise in outreach to this industry as it has to Alaska's seafood industry for 40 years.

Thank you for recognizing the value of Alaska's maritime economy and for your consideration of meaningful legislation to aid economic development across Alaska's coastal communities.

2:01:06 PM

HEATHER MCCARTY, CHAIR, MARICULTURE TASK FORCE (via teleconference) introduced herself. She relayed that she was also the Co-Chair of the AKCRRB program. She also worked for the Central Bering Sea Fishermen's Association

(CBSFA) located on the Priblof Islands. She reiterated the history of HB 41. She offered that the mariculture taskforce had two priority recommendations contained in HB 41:

- Allow for shellfish fishery enhancement and restoration.
- Amend the ASMI statutes to allow marketing of aquatic farm products.

Ms. McCarty continued that the CBSFA had a great deal of interest in shellfish mariculture. She explained that until 40 years ago a viable blue crab fishery existed around the Priblof Islands. So far, the only tool to restore the fishery has been to close the fishery. She described a similar situation with the depletion of red king crab near Kodiak that collapsed at the same time. She related that citizens from Kodiak and the Priblofs formed the AKCRRB program with the hope of rehabilitating crab stocks. The program was in existence for 15 years and undertook research to understand the crab lifecycle. The program was successful in rearing crab in captivity and the next step was to produce more crab stock and release it into the wild. The crab rearing technology was transferable to other crab species. She described the strong support for the bill, especially for the rehabilitation of crab stocks. She spoke to the marketing portion of the bill and felt that it was also extremely important.

[2:06:15 PM](#)

GINNY ECKERT, CO-CHAIR, STEERING COMMITTEE, ALASKA KING CRAB RESEARCH, REHABILITATION, AND BIOLOGY PROGRAM (via teleconference), shared that she was also a fisheries professor at the University of Alaska Fairbanks and Director of Alaska Sea Grant. She also served as the Science Director for the AKCRRB program. She had worked in many shellfish fisheries. She spoke to the need for the rehabilitation of shellfish. She related that many of the shellfish had declined in abundance and were important fishery resources. She elaborated that the king crab fishery "crashed" in the early 1980's due to overfishing in the 1960's and 1970's. The populations depressed so low that they were not able to recover on their own. Over the last decade many scientists had studied king crab and published papers regarding their lifecycle. Enough is now known to move king crab rehabilitation forward in a

responsible manner. She illuminated that the research revealed the population was bottlenecked and struggling to recover on its own. They performed a test model of planting crabs in the wild and were able to recover planted animals one year later. She reported that genetic concerns accompanied the type of rehabilitation, but genetic studies were undertaken. The scientists understood the genetics of the wild population so they could appropriately culture the planted stock to minimize impacts on the wild stocks. Ms. Eckert along with colleagues also surveyed 17 traditional abalone sites and found abalone in only 4 sites; Abalone was also overfished. She emphasized that there was potential for restoration in Alaska based on efforts in Washington state. The bill was needed to move forward with any of the restoration projects.

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Co-Chair Merrick OPENED Public Testimony.

[2:11:08 PM](#)

Co-Chair Merrick CLOSED Public Testimony.

Co-Chair Merrick asked Mr. Woodrow to review published Zero Fiscal Note 1 from the Department of Commerce, Community and Economic Development [FN 1 CED] appropriated to ASMI. Mr. Woodrow indicated that ASMI did not anticipate any fiscal impact if HB 41 was adopted.

[2:11:50 PM](#)

Co-Chair Merrick invited Mr. Rabung to review Fiscal Note 2 [FN 2 DFG] and Fiscal Note 3 [FN 3 DFG] from DFG that were both zero and were appropriated to the Division of Commercial Fisheries. Mr. Rabung shared that the division would utilize existing staff in its aquaculture section to administer the program. The department would absorb any costs related to the bill.

[2:12:45 PM](#)

Co-Chair Merrick requested a review of the Special Appropriations published Fiscal Note 4 appropriated to Shared Taxes.

KYLE SCHERRER, PROGRAM BUDGET ANALYST, OFFICE OF MANAGEMENT AND BUDGET (via teleconference), reported that the fiscal note was indeterminate. He furthered that because the Department of Revenue's (DOR) revenue estimate was indeterminate the appropriation to the hatchery permit holder is also indeterminate.

Co-Chair Merrick asked DOR to review published Fiscal Note 5 from DOR [FN 5 DOR] appropriated to Taxation and Treasury.

[2:13:37 PM](#)

CHRIS BECKER, AUDITOR, TAX DIVISION, DEPARTMENT OF REVENUE (via teleconference), reported that Fiscal Note 5 was indeterminant. He expounded that it was not currently possible to determine the revenue impact because the number of fishers and hatcheries that would participate was unknown. He added that implementation costs were zero.

[2:14:16 PM](#)

Representative Thompson asked if the committee would be moving out the bill today. Co-Chair Merrick responded in the affirmative. Representative Thompson indicated he had an amendment currently being drafted.

Co-Chair Merrick set the bill aside.

HB 41 was HEARD and HELD in committee for further consideration.

#hb47

HOUSE BILL NO. 47

"An Act renaming the Alaska Native Language Preservation and Advisory Council as the Council for Alaska Native Languages; and relating to the Council for Alaska Native Languages."

[2:15:33 PM](#)

REPRESENTATIVE ANDI STORY, SPONSOR, read from a prepared statement:

Thank you, Chair Merrick, and members of the House Finance Committee. For the record I am Rep. Andi Story, representing district 34, which is on A'akw Kwaan land and the Indigenous language of this region is Tlingit.

House Bill 47 developed as the Alaska Native Language Preservation & Advisory Council, wants to do two things:

1. Shorten the Council name
2. Expand its' membership.

The Council provides recommendations and advice to both the Governor and Legislature on programs, policies, and projects, and to network and advocate in support of the Council's mission.

The mission is to advocate for the survival and revitalization of Alaska Native languages through collaboration and sharing for all.

The Alaska Native Language Preservation & Advisory Council was created by the second session of the 27th Legislature. The Governor appointed five voting members who are professional language experts and who represent diverse regions of the state.

Additionally, there are two nonvoting members. One member of the Senate, appointed by the Senate President and one member of the House, appointed by the speaker. I have been fortunate to serve as the non-voting member from the House, and this is how this information was brought to me.

The two seemingly small changes proposed in HB 47 have significant meaning to the council. The first item in the name change simplifies the name from The Alaska Native Language Preservation & Advisory Council to Council for Alaska Native Languages. This reflects the goal of sustaining and reinvigorating Alaska Native language, - a concept that goes beyond preservation.

The second change requested is to add two new members, going from 5 to 7 voting members. Alaska has about 20

distinct languages, and to be able to be inclusive of more languages the council feels two more members would capture a greater perspective.

I appreciate your consideration of House Bill 47. It supports the requests of the council.
Chair Merrick, depending on the wishes of the committee, my staff, Mary Aparezuk, is available to walk through the sectional analysis.

HB 47 has a \$10,000 fiscal note. Sandra Moeller from the Department of Community, Commerce and Economic Development is on-line with an explanation.

Importantly there is an invited testifier, X 'unei (khoo - nay) Twitchell, online who is a voting member of the council and a long-time indigenous language advocate. We are all happy to take any questions.

Co-Chair Merrick directed Rep. Story's staff to review the sectional analysis.

[2:19:27 PM](#)

MARY APAREZUK, STAFF, REPRESENTATIVE ANDI STORY, (via teleconference), appreciated the members taking the time to hear the bill. She read the sectional analysis:

Section 1: Amends AS 44.33.520(a) simplifies the name of the Council from "Alaska Native Language Preservation and Advisory Council" to "Council for Alaska Native Languages."

Section 2: Amends AS 44.33.520(c) by changing voting members from "five" to "seven."

Co-Chair Merrick moved to invited testimony.

[2:20:48 PM](#)

XH'UNEI, LANCE A. TWITCHELL, ASSOCIATE PROFESSOR, ALASKA NATIVE LANGUAGES, UNIVERSITY OF ALASKA SOUTHEAST (via teleconference) spoke in favor of HB 47. He read a prepared statement:

Thank you, honorable Representatives. Gunalchéesh Representative Story and her office for introducing

this House Bill 47. My name is X'unei Lance Twitchell, and I represent myself here today, speaking in favor of this bill. It is an honor to visit with you here today, and to talk about the sacred and irreplaceable languages of Alaska. My work is teaching the Linigít language at the University of Alaska Southeast and advocating for the health and safety of 22 additional Alaska Native languages as a scholar of language revitalization. I am also the vice chair of the Alaska Native Language Preservation and Advisory Council. However, I do not speak for those organizations today.

I wish I could tell you that there was great news regarding Alaska Native languages. I wish I could say that since the last time I testified to this great body of elected leaders --to declare a state of emergency for our languages--that sufficient work had been done and changes were made that led to hope. That is simply not the case. As leaders, let me tell you what is going to happen on your watch, and what history books will remember you for: half of the surviving Alaska Native languages are going to die out. The silence will be horrifying, and to be honest, many of your colleagues will never even notice, unless they happen to read about it. There is so much work to do, and so much loss on a daily basis, and that work falls upon six people from the perspective of the State of Alaska: the five council members and the single employee of the Alaska Native Language Preservation & Advisory Council.

When this Council was formed in 2012, many of us doing this work felt a charge of energy. We felt seen and heard. But then politics began to be played. The staff positions for the council were cut from two to one. The reports produced every two years often fell on ears that refused to listen and eyes that refused to read. If Alaska Native languages were important to this state, then this congress would have heard the calls for change and taken more courageous action since that time. We had at least 23 languages that were spoken in this state before contact, and 21 of them are still spoken today. But by my estimations, over half of them may have fewer than 10 speakers remaining, and we are only talking about incremental change, are only toeing a line that keeps us in a death spiral. And let me tell you this: if this was

your future on the line. If this was a total break between your present existence and all of your ancestors, and if you stood to lose the chance to pass along your identity to your descendants, I would do all that I could to help you. This is the way of the human being. I ask you this: can you, not as a single Representative, not as a committee, not as a House of Representatives, but as the Legislature of this state, could you collectively say the same?

This is a small change that the Council has been asking for since our last report came out two years ago. We are not in the business of preservation. We need substantial and lasting change that leads to revitalization. What leaders are we if we allow entire ways of knowing to be eradicated by systemic and deliberate genocide? What kind of humans are we if we stand upon a foundation of racism and allow systems of communication that are tens of thousands of years old to be lost? Can we, with steadfast determination and unity, dream of a future other than death? Can we find the courage to create a different destiny and be real about the levels of inaction and total lack of compassion? To all of this, I would say: yes.

This is a small change, and as a scholar and advocate of language revitalization I have many ideas for larger changes, but I implore you to grow this council and find a way to elevate the voices that are burdened with these losses. Give it a stronger and more relevant name regarding the work that we do, and the terminology currently used in this field. We are doing all we can to stop the tide with our bare hands, from which this government has removed the tools and the populace. Have courage, my leaders. A brighter future calls you if you choose to listen. A new day is waiting if you choose to see. In our language, we say, gunalchéesh, thank you.

[2:26:06 PM](#)

Representative Josephson thanked Dr. Twitchell for his statement. He asked what kind of resources would be needed beyond the scope of the bill for language preservation.

Mr. Twitchell thought that currently it would require a rearrangement of existing resources. He did not anticipate

a substantial cost to create a college of Alaska Native languages because there were already teachers in place. However, there was no specified degree program or clear direction to create teachers. He suggested that the Alaska Native Language Center receive enough support to produce high quality publications and enable language documentation. He suggested the creation of an Alaska Native Media network, which would need initial startup funding but could work through Alaska Public Radio. The network would establish a central office that produced audio and video content for broadcasting throughout the state. He noted that a similar path was very effective in Hawaii and New Zealand to promote Hawaiian and Maori languages.

Co-Chair Merrick relayed that Sandra Moller would speak to the published Fiscal Note 1 from the Department of Commerce, Community and Economic Development [FN 1 CED] appropriated to the Division of Community and Regional Affairs (DCRA).

[2:28:47 PM](#)

SANDRA MOLLER, DIRECTOR, DIVISION OF COMMUNITY AND REGIONAL AFFAIRS, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT (via teleconference), reported that the language program existed within the division. She related that there was not a separate budget for the council. The division would require an additional \$10 thousand in travel per year for the two additional members to travel to two meetings per year at a cost of \$2.5 thousand per trip.

[2:29:32 PM](#)

Representative Edgmon thought that only 1 staff member travelled. Ms. Moller replied that two board members travelled.

[2:30:11 PM](#)

Representative Story clarified that the fiscal note was for the two additional voting council members to travel.

Representative Edgmon had heard that the council members had not travelled since 2018. Representative Story answered in the affirmative. She conveyed that in 2015 the council switched from two trips each year to one trip and had not

travelled since 2018. She added that she was honored to serve as a non-voting member of the council. She indicated that there was a report which she included in the members packets titled "The Alaska Native Language Preservation & Advisory Council's 2020 Biennial Report to the Governor and Legislature" (copy on file). She directed attention to page 18 that contained findings and recommendations of the council and encouraged members to read the recommendations.

Co-Chair Merrick set HB 47 aside.

HB 47 was HEARD and HELD in committee for further consideration.

[2:31:46 PM](#)

AT EASE

[2:32:58 PM](#)

RECONVENED

Co-Chair Merrick indicated the next bill was HB 127.

#hb127

HOUSE BILL NO. 127

"An Act relating to the Alaska Municipal Bond Bank Authority."

[2:33:07 PM](#)

REPRESENTATIVE BART LEBON, SPONSOR, noted that the bill was heard in committee the prior year. He provided a brief summary. This bill expanded the authority of the Alaska Municipal Bond Bank Authority regarding bonding capacity to regional health organizations at up to 100 percent of the project cost. He expounded that currently project and funding limitations were in place. The bill also gave the University of Alaska (UA) access to refinance debt or take on additional debt through the bond bank.

[2:35:09 PM](#)

AIMEE BUSHNELL, STAFF, REPRESENTATIVE BART LEBON, reviewed the sectional analysis:

Section 1. AS 44.85.010:

Removes the project scope limitation of only heating or energy projects for the University of Alaska Fairbanks

Section 2. AS 44.85.090:

Removes the 49 percent project participation on the Alaska Municipal Bond Bank for regional health organization projects

Raises the \$102,500,000 project limit for a single regional health organization project to \$250,000,000

Section 3. AS 44.85.180:

Raises the \$87,500,000 cap for University of Alaska projects to \$500,000,000

Raises the \$205,000,000 cap for regional health organization projects to \$500,000,000

[2:36:39 PM](#)

DEVEN MITCHELL, EXECUTIVE DIRECTOR, ALASKA MUNICIPAL BOND BANK AUTHORITY, DEPARTMENT OF REVENUE (via teleconference), relayed the support of the bond bank for the HB 127. He conveyed that the purpose of the bill was not to increase the use of debt but to make debt that was set to be issued more affordable, which was the "essence of the bond bank program." He reported that the bond bank had an outstanding balance of \$1.1 billion. The amount issued for regional health organizations was roughly \$144 million, which saved the Alaskans it served \$65.3 million in debt service.

[2:39:05 PM](#)

Representative Josephson thought the bill would allow for additional bonded debt. He asked Mr. Mitchell to comment. Mr. Mitchell clarified that his statement meant that the debt would be issued under any circumstance. He elucidated that if a project was vetted and in the financing phase of development the project would be financed with or without participation of the bond bank. The bond bank participation was an alternative to other financial mechanisms that reduced costs of debt for Alaskans. Representative Josephson inquired whether the bill "crowded out" or vied with other opportunities for bonded indebtedness. Mr.

Mitchell replied that the support that the state provided the bond bank was utilized to reduce the cost of borrowing and never used to pay the debt service of the bonds. He indicated that the underlining borrowers had repaid all debt service since the program's inception in 1975. Rating analysts were aware that the state provided support for the program, but they do not count it against the capacity of the state to issue debt for other needed capital projects. Representative Josephson noted that Mr. Mitchell described 45 years of outstanding repayment history for the bond bank. He wondered what accounted for that. Mr. Mitchell answered that a rigorous review process was required at the projects inception and again when seeking financing through the bond bank. He exemplified a proposed bonded community project, that would be vetted by local elected officials and brought to a vote of the community to affirm community support and issuance of the debt. He delineated that entity would then apply with the bond bank for a loan, which would initially receive vetting by a third party financial advisor contracted by the bond bank. The advisor would provide analysis and make a recommendation to the bond bank's board of directors who also had to approve the loan. The process's scrutiny would not allow a speculative or questionable loan to proceed through the bond bank.

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Representative Edgmon determined that the bill supported two entities. He asked if HB 127 was a clean-up bill because the two entities fit under the same subject matter. Mr. Mitchell replied in the affirmative. He explained that at the inception of the regional health organizations' bonding authority in 2015, there was concern over the new line of lending regarding the financial strength of the organizations. Due to the uniqueness of the loans and the lack of knowledge regarding regional health organizations there were limitations put into statute that became inefficient. Based on the learned experience and financial strength of the organizations the bond bank wanted to address the inefficiencies. He furthered that in the recent past UA received substantial credit rating downgrades due to budget reductions. The university had bonding authority specific to a power generating and heating facility at the UA Fairbanks campus. The board felt that broadening the bond bank authority would allow UA to leverage the bond ratings of the bond bank authority, if advantageous for other projects. He summarized that the legislation allowed

both entities the opportunity to utilize the bond bank for sound projects if they desired.

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Representative Edgmon commented that the bill also spoke to the economic power of the Alaska Native and the regional health organizations strength. He recounted that UA's bond debt service was roughly \$28 million per year. He considered the amount reasonable compared to their overall budget.

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Representative Wool cited the bill and remembered the issue of a \$500 million cap for the university. He asked what its total debt was and how was the \$500 million figure derived. Mr. Mitchell responded that the number was intended to be a "not to exceed amount" that could provide for any potential existing or future need. He reminded members that any UA bond issue needed legislative approval. The university also had its own checks and balances in place that limited the ability of UA to acquire new indebtedness. Representative Wool recalled that a portion of the power plant was bonded, and another portion was paid by the state. He read the following from the sponsor statement:

This additional financing tool is not intended to be a substitute for capital appropriations through the legislature.

Representative Wool asked the bill's sponsor if he could assure that the legislature would still provide capital appropriations to the university knowing it had access to a large amount of bonding authority.

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Representative LeBon replied that the University would seek the best financing rate it could find for projects. He added that UA would happily accept capital funding if the legislature wanted to appropriate money through the capital budget. He viewed the provisions in HB 127 as offering UA an additional financing option.

Representative Carpenter asked what the alternatives were if the borrower did not go to the bond bank.

2:51:52 PM

Representative LeBon replied that the options were limited. He offered that it would be highly unusual for a traditional bank to loan money on a university property. The bank was obligated to seek collateral and pledging a building on a university campus was problematic. In his 42 years of banking, he never lent money to a public education institute. Alternatively, a regional health organization could secure a loan through a traditional bank. He deemed that the bank would likely finance such a facility with government agencies like the Bureau of Indian Affairs or United States Department of Agriculture (USDA) participation.

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Representative Carpenter wondered why UA's bonding authority was limited to heating and energy projects. Representative LeBon deferred to a representative from UA to answer the question.

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MYRON DOSCH, CHIEF FINANCIAL OFFICER, UNIVERSITY OF ALASKA, FAIRBANKS (via teleconference), voiced that the university supported the legislation. He reiterated that the original authority was limited to the heating and power plant project. He conveyed that at its conception the bonding authority was related to accomplishing the specific project. The university supported HB 127 because it provided an opportunity for "bottom line savings" by securing a better interest rate on debt than it might receive on its own. He added that UA had its own authorization to issue debt and considered it very seriously irrespective of HB 127. A project evaluation went through a rigorous process prior to issuing debt.

Representative Carpenter asked about Mr. Dosch's comments about better interest rates through the market and he wondered what the market he referred to was. Mr. Dosch replied that the difference in interest he referred to was the credit rating of the bond bank versus the credit rating of the university. He explained that to the extent that the bond bank's credit rating was better than UA's, meant the margin would provide a better interest rate. In terms of Representative Carpenter's question about a market, he was

speaking of the general bond market or capital market where bonds were bought through an underwriter in a negotiated deal.

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Representative Josephson asked if the legislature had to sign off on the portion of the bill that had to do with the University of Alaska but not regional health organizations. Mr. Mitchell responded that the regional health organizations did not have to go through a state process to issue bond debt. He added that neither did any other entities using the bond bank: municipalities, joint action agencies, and joint insurance associations.

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Representative Josephson asked whether there was a requirement that a UA bond debt increase over \$2.5 million needed legislative approval. Mr. Mitchell answered that it was a requirement unique to the University System. He explained that the bond bank entered into loan agreements with borrowers to purchase the loan on a private placement basis; the bond bank was the only purchaser. The bond bank issued bonds in \$5 thousand blocks to the market that were purchased by investors. A requirement of legislative approval would be part of the process of the underlying borrower and not the bond bank. Representative Josephson could not find the \$2.5 million limit in the current bill. Mr. Mitchell responded that the requirement was already in statute.

Co-Chair Merrick asked Mr. Mitchell to review the published Department of Revenue fiscal note [FN 1 REV] appropriated to the Alaska Municipal Bond Bank.

3:01:37 PM

Mr. Mitchell articulated that the fiscal note assumed that there would be a series of issuances by regional health organizations or UA totaling \$100 million over a number of years. Therefore, there would be estimated costs of about \$360 million per year for services associated with the bond issues. The costs would be paid by the receipts of the bond bank. He explained that typically when bonds were sold a cost of issuance account was created that was used to pay for costs related to issuing the bonds and were paid from

the proceeds of the bond issue and were incorporated into the interest rate the borrower received.

Representative Edgmon relayed that fiscal notes typically did not include cost savings. He reminded the committee that the borrowers would realize cost savings.

Mr. Mitchell thought Representative Edgmon's point was excellent and reiterated that the entire purpose of the bond bank was to save money. Entities would save money by going to the bond bank by attaining lower interest rates despite the costs related for the issuance of the bonds.

Co-Chair Merrick invited Mr. Dosch to make further comments.

Mr. Dosch did not have any additional comments. He reiterated that the University supported the bill, and he was available for questions.

Representative Carpenter thought it sounded good if the state could save money. He referred to the second paragraph of the fiscal note analysis related to default and the moral obligation of the state for bond repayment. He noted the paragraph "the Bond Bank would request funding from the Legislature and Governor to pay their debt service." He was curious if the full faith in credit included the Permanent Fund. He wondered if the Permanent Fund was obligated as well.

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LUKE WELLES, CHAIRMAN, ALASKA MUNICIPAL BOND BANK (via teleconference), noted that he also worked for the Alaska Native Tribal Health Consortium.

Representative LeBon asked if Mr. Wells could review the payment source and how the bond sales were underwritten and how the regional health organizations stood by the debt. Mr. Wells relayed that the most recent bonded facility was a new hospital in Bethel through the Yukon Kuskokwim Healthcare Corporation. He explained that the corporation entered into a joint venture agreement with the Indian Health Service where the healthcare corporation was responsible for building the facility. The cost of the building was borne in half by a federal entity and the other half by the bond bank. Once the facility was built,

the regional health organization received a staffing package from the Indian Health Service that paid for staffing needs in perpetuity and for contract support costs that will pay for the bonds. He also indicated that whenever a tribal member received care at a regional health organization, the state was reimbursed at 100 percent Federal Medical Assistance Percentage (FMAP) if the member was also on Medicaid, versus 50 percent if care was administered outside of the tribal health system. He concluded that it was in the state's best interest to ensure that all tribal members received care at regional health facilities throughout the state.

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Representative Carpenter surmised that the risk of default was low. He still wondered whether the state would be responsible if there was a default in payments. He asked for further detail. He wondered if the Permanent Fund would be used for repayment. Mr. Mitchell responded in the negative and stressed that the Permanent Fund was not obligated in any way to debt repayment. He explained that the moral obligation meant a statutory framework that required a reserve fund to secure the bonds along with annual reporting requirements on the status of the reserves to the legislature. If the reserves were deficient, the issuer would request a replenishment of the reserves. There would be potential ramifications if the legislature chose not to fund the reserves, but it was not required.

Co-Chair Merrick thanked Representative LeBon for presenting the bill. She would set the bill aside

HB 127 was HEARD and HELD in committee for further consideration.

Co-Chair Merrick reviewed the agenda for the following meeting.

#

ADJOURNMENT

[3:12:03 PM](#)

The meeting was adjourned at 3:12 p.m.